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**A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF “KARASSERY SERVICE CO-OPERATIVE BANK LTD”****R. BUVANESWARI****ASST. PROFESSOR****PG & RESEARCH DEPARTMENT OF COMMERCE****SRIMAD ANDAVAN ARTS & SCIENCE COLLEGE****T.V.KOVIL****RIYAS. K****RESEARCH SCHOLAR****PG & RESEARCH DEPARTMENT OF COMMERCE****SRIMAD ANDAVAN ARTS & SCIENCE COLLEGE****T.V.KOVIL****ABSTRACT**

*Bank is now not only a lending or deposit collection center but it is a service center. The meaning of banking has changed, now it includes various spheres of business, or all types of business have the relationship with banking. Therefore, the mission and vision of today's banking was replaced for new generation needs. The vision of Canara bank is "Serving for Growth, Growing for service", Federal Bank declares "A perfect Banking partner", City Bank offers "City never sleeps" and The Karassery Service Co-operative Bank declares "banking made simple". This is the first primary co-operative bank in Kerala to introduce demand draft and money transfer facility to various locations in the country. The performance highlights and growth rate of operational performance reveal that in many areas, the bank has to improve further and there is a scope for improvement through well deposit mobilization. Karassery service co-operative bank Limited is the first co-operative service bank in Kozhikode Taluk and this bank to get fully computerized, and also to introduce a working time of twenty four hours.*

**KEYWORDS**

Karassery service co-operative bank Ltd., financial performance analysis.

**INTRODUCTION**

The development in Information Technology was a real milestone in banking industry. Now we forgot the old big ledger, which one we are used in olden days. The old outcry system in share market is replaced by real time settlement. Banking is totally changed to small telephone booth like ATM centers. Most of the banks providing Web Banking, Internet Banking etc., In brief we can see all the changes, developments, movements in technology are perfectly used in banking industry.

Charles Darvins theory "Struggle for existence" and "Survival of the fit-test" are the new theory in business world. Karassery Service Co-operative Bank Ltd. was registered as a co-operative society on 22 September 1994 and the Bank started doing business on 10 October 1994 with a share capital of Rupees One lakh. The area of operation of the Bank is the area falling under the Karassery panchayath in Kozhikode district of Kerala state.

This is a predominantly agriculture oriented locality which is fast shedding its rural image to grow as a semi urban centre. Total population of the area is under 30000. Now the Bank has a working capital amounts to Rs. 268.52 crores. The bank is classified as a class I (class one) special grade bank which is the topmost classification attainable for a service co-operative bank by the Government of Kerala.

This study covers the financial performance analysis of the Karassery Service Co-operative Bank. In the financial performance analysis is based on the liquidity, solvency and profitability ratios. The last five year (2009-10 to 2013-14) financial performance of the bank is taken for the consideration of making this project.

**OBJECTIVES OF THE STUDY**

The present study has undertaken with the following objectives:

1. To analyse the functions and operations of the Karassery service co-operative bank
2. To analyse the performance highlights of Karassery Service co-operative bank.
3. To analyse Operational ratios of Karassery Service Co-operative Bank.
4. To analyse the profitability of Karassery Service Co-operative bank.
5. To analyse long term solvency position of Karassery Service Co-operative bank.

**SCOPE OF THE STUDY**

Karassery service co-operative bank is the first service co-operative bank in Kozhikode Taluk to get fully computerized. It was the first co-operative bank to introduce a working time of twenty four hours. This is the first primary co-operative bank in Kerala to introduce demand draft and money transfer facility to various locations in the country. The Bank has many other 'firsts' to its credit such as the introduction of hand-held machines for deposit and loan collection, mobile phone alert facility for information on loans and deposits and on the spot taking of customers' photo and printing it in their passbook. The Bank got two 'Banking Frontiers Magazine' Awards in the category of Product innovation and Alternative channels. The Bank got First prize in Deposit mobilization- 2007 from Department of Co-operation, Kerala State.

**METHODOLOGY**

A descriptive study aimed at empirical examination and analysis of the stated problem. It will use mainly two methods viz. the survey method and Content analysis.

**SOURCE OF DATA**

Study based on secondary data. Secondary data were mainly collected from the annual reports and audit report of Karassery Service Co-operative Bank Ltd., and discussion with secretary and Accounts Head of the bank.

**DATA ANALYSIS**

This study will involve both quantitative and qualitative analysis of collected data. Collected data were analyzed with the help of statistical tools like percentage, ratios, diagrams, charts, etc.

**RESEARCH DESIGN**

Research design is the arrangements of activities for the collection and analysis of the data in a specific manner that aims to combine relevance to the purpose with economy in procedure. For this study the design is used as a descriptive. Descriptive design as the name itself implies is conducted to describe something. This study describes the financial performance Analysis of Karassery service Co-operative Bank Ltd.

**METHOD OF DATA COLLECTION**

The secondary data was collected from the Bank records and websites.

**LIMITATION OF THE STUDY**

Lack of time period for a detailed and accurate study of the performance of the financial analysis in the co-operative bank, due to lack of time a detailed interview schedule could not be administered to get primary data. So the study depends mainly on secondary data. Even the maximum care has been taken to make the perfection in study.

**STRUCTURE OF INDIAN MONEY MARKET****A) ORGANIZED SECTOR****1. RBI****2. Commercial Banks****a) Scheduled commercial Banks****(i) Public sector**

- State bank group
- Nationalized banks

**(ii) India banks****b) Non scheduled commercial banks****i) Foreign Banks****ii) Regional rural banks****3. PO Saving banks****4. Non banking companies****5. Co-operative Banks****B) UN ORGANISED SECTORS****1. Indigenous banks****2. Money lenders****MANAGEMENT OF BANK**

The management is an ongoing dynamic process described as planning, organizing and controlling. These elements of management process are widely accepted in the business world. By this dynamic process it is divided to various departments like credit dept., planning and development dept., insurance dept., depository dept., share dept., personal dept., forest dept., stationary dept., IT dept., training dept., reconciliation dept. and risk management dept. for the service are like Chennai Zone, Mumbai Zone, Eastern Zone and Western Zone.

**STRUCTURE OF A BANK:** Present Bank has a matrix structure. Its different rectangular have different goals and tasks. It is performed by multidisciplinary teams. The Matrix structure ensures efficiency and stability of a team work in the bank.

**DEFINITION**

According to V.L. Mehta "Co-operation is a vast movement which promote voluntary association of individuals having common needs who combine towards the achievement of common economic needs".

**FUTURE OF CO-OP BANKING IN KERALA**

Computerization has become a basic necessity in today's environment for any bank. With private sector banks and nationalized banks enhancing its reach to the rural markets in India, co-operative banks are facing new challenges. To maintain the leadership in this highly competitive world of banking, co-operative banks should be able to offer facilities to its customer at par with or even above those offered by these larger banks. The right software solution should, in addition to taking care of all the day-to-day activities of the bank, be able to provide facilities offered by new generation banks.

Net banking, any branch banking, Tele banking, Mobile banking and A.T.M. have become basic facilities expected by today's customers. Over and above this, a bank should also be able to measure its progress and fine tune its operations for which detailed management reports are also a must. Such reports should help the management team of a bank to analyze the performance and take the right decisions from time to time.

The lead bank in Kerala has identified that a shared A.T.M. Network in Kerala would be the key in competing against other banking networks in the region. It has been decided to bring all SCBs under a single network and a common software platform, so that implementation of an A.T.M. Network is made easier.

So, in the future, there are many changes should come in the SCBs for the healthy competition of other banks in the industry. They mainly focused on the customer based strategies and give more different services to the customers. And they take more remedial actions in the area of Information Technology.

**NEW TRENDS IN BANKING INDUSTRY**

Online Banking

High Level of banking competition

Liberalization

Merger & Acquisition

24 hours banking

Electronic Fund Transfer

Consortium approach

New technology banking

Local area banks

Hire purchase finance

Equipment leasing

Mobile Banking

Diversification of Banking Service

Effect of Globalization

Foreign Direct Investment

Use of plastic money

Securitization

Branch expansion

Credit card

Stock investment

Merchant Banking

Venture capital

Internet Banking

Tele banking

**MAJOR PROBLEMS FACED IN THE BANKING INDUSTRY**

**1. The new generation banks:** The new generation banks created a new culture in banking industry. They are giving good and need based customer service. But they are only looking into the profit, they have no social commitment, they are urbanized. So government sponsored programs like PMRY, SGRY, SGSRY and other point 20 programs are in threats. All the new generation banks are collecting deposits even from remote village, but all these funds flow to urban for corporate.

**2. Unhealthy competition between the banks:** Most of the Indian banks changed their computers and packages more than once within the last 5 years in the name of good service.

**3. The intrusion of new foreign banks:** The major problem in our country is the intrusion of foreign banks. The deposit interest rates of foreign countries are very lower than India. So they can give low interest rate loans. Thus the deposit interest rate in India slipped. Small savings and thrift deposits of the common people become discouraged. These funds are also compelled to move to share market.

**4. The job security of the employees is also under threat.**

Karassery Bank is a primary agricultural service co-operative bank with its area of operation confined to Karassery Panchayath and loan lending area extended to the whole area of Kozhikode Taluk. Started on 10-10-1994, the bank has emerged a commanding position as it was classified as Class I Super Grade Bank, being the highest classification in this group in Kerala State. Also it is noted that the Bank is running in profit since its inception and retaining the colorful status of 'A' grade in Audit Classification. The Head Office of the bank is at Mukkam and its address is "Karassery Service Co-operative Bank Ltd No D.2628, P.O. Mukkam, Kozhikode, Pin-673602".

The affairs of the Bank are governed by an elected Board of Directors consisting of 13 members and the tenure is limited for a period of 5 years from the date of election to the Board of Directors. One among the Directors is elected as Chairman of the Bank and he monitors the day to day affairs of the Bank with the help and cooperation of all other Directors by utilizing the service of the entire dedicated and trained personnel. The overall supervision of discharge of duties of the staff of the Bank vests with the General Manager /Chief Executive of the Bank. The working hours of the Bank starts from 8.30 am. and ends at 7.00 PM. In our District, we are the first Bank in Co-operative Sector, fully computerized in all aspects. The computerization in the year 2000 brought about wholesome change in the profile of the Bank by increasing the business by leaps and bounds. The Bank now has a customer base of more than 58000 persons.

Due to systematic working, quick disposal of customers giving no room for any complaint and emphasizing the need of Customer relationship as a vital goal, we could succeed in obtaining the international certification of ISO 9001:2000 during the year 2006 and we are proud to declare that our Bank is the first Bank in Co-operative sector to secure such an award in Kerala State. Now we have upgraded the latest version of ISO 9001:2008. Another novel idea of installation of A.T.M was also implemented by us during 2006 and we are one of the toppers in our state to extend such a valuable service to the customers of the Bank.

**PRESENT WORKING**

Our Bank is organized for the members and their families by providing them required loans for promoting agriculture and other trade/business activities in the service area of the bank, with the help of mobilizing deposits from members of the Bank. We are also issuing agricultural loans to members by obtaining cash credit loan from the Financing Banks. At present we are having 60101 members on roll in four classes as classified in the byelaws of the Bank. The total paid up share capital of the Bank at present is 8.60 crores and deposits are 378 crores. Customers outside India have contributed a lot in the growth rate of deposits through NRE accounts. The borrowings outstanding are 68 crores and investment 55.50 crores. We are providing Agricultural Loans, Non Agricultural Loans, Gold Loans, Self Employment Loans, Small business loans to our members according to their requirement within the limit provided in the byelaws of the Bank, AMT Loan to SHG/JLG groups attached to the sub centers in Ramanattukara and Thamarassery and the total amount of loan outstanding as on date is 380 crores. The working capital of the Bank as on date is Rs.426.60 crores. It is conspicuous to note that only a very negligible amount is classified as overdue, the percentage is only 3%.

During the year 2014-15 the total loan issued was Rs.966.79 crores. An average amount of Fifteen Crores of rupees is essential to meet the actual demands of members every month, and hence we are forced to reschedule our plan of raising funds from available sources. The existing 3 tier system of Co-operative sector has started changing to the 2 tier system as NABARD provided direct funding to our Bank to the tune of 12 crores with low interest rate. Now we are on the way of mobilizing another 50 crores from NABARD.

Our Head Office function has also been shifted to the new building at Mukkam which is arranged in such a way to suit to the modern technology requirements for the banks purpose. Apart from the Head Office, Deposit Branch and Loan Branch are functioning in Head Office building. Two more Branches are also working at Nellikkaparamba and Maranchatty. Besides there are two sub centers under the Bank, one at Thamarassery and another at Ramanattukara.

Considering the overall performance and best working the Bank could secure National and State awards during the last 7 years. Bank has always given due importance to the proper working, at most satisfaction to customers, keeping financial discipline, implementing all modern technologies and placing all infrastructural facilities for the smooth functioning of the Bank.

The awards that received from Banking Frontiers continuously from 2007 to 2013 are in the category of Product Innovation, Alternate Channels, Innovation in Marketing, Best Data Centre, Innovation in HR, Excellence in Networking, Excellence in Technological Innovation, Best Social Project, Best Training Innovation and Best NPA Innovation.

Apart from the above during the year 2008 the Bank pocketed the first price in the presentation of Tableau in the concluding ceremony of Kerala cooperative week celebration at Calicut. During the year 2010, our Bank is the only Bank from Kerala State, secured the prestigious "Co-op Excellence Award -2010" of National Co-op Development Corporation, New Delhi.

**SPECIALTIES**

The Bank gives emphasis to employing the best technologies to give smooth and efficient banking experience for the customer. It was the first to introduce many modern banking facilities to the co-operative sector in general and to the locality in particular. The main achievements could be summarized as follows.

- First ISO 9001:2000 certified Co-operative bank in Kerala (Now it is ISO 9001:2008)
- First full-fledged ATM in the primary Co-operative sector in Kerala
- First ever ATM recycler machine in India
- First Time in Kerala 24 x 365 days banking
- Introduction of hand-held collection machines to the banking sector for the first time in the country
- Mobile alert facilities with scope for mobile banking in the future
- RTGS facility with tie up of commercial banks
- Instantaneous account opening procedure with digital photo printed pass book
- Demand draft and money transfer facilities for the first time in the primary co-operative sector in the state
- Introduction of low interest agriculture loan scheme for the Benefit of small and medium farmers for the first time in the state
- Introduction of savings bank scheme for the benefit of students
- Declaration of maximum Dividend (25%) to the share holders of the Bank.
- Special Agricultural Loans to the farmer members of the Bank at a lower rate of 5.5% introduced by Government of Kerala.
- Interest free loans to paddy farmers.
- Free Mobile facility – through BSNL – CUG Scheme
- Railway Reservation facility to customers
- Locker facility
- IFFCO-Tokyo General Insurance
- Digitalization of documents
- Western Union Money Transfer
- Gold Purchase Loan Facility
- AMT Loan @7% for SHG/JLG under Diary Entrepreneurship Development Scheme (DEDS)
- Managerial efficiency showing successful operation of three shifts from 8.30 AM to 7.00 PM without any interruption with 54 employees.

**MBP:** The maximum borrowing power of the bank is 50 times of paid up share capital plus reserve fund.

**IMBP:** The maximum individual borrowing power is limits up to Rs. 10 lakhs.

**RESOURCES OF THE BANK**

- Share capital
- Loans from Govt. and KDC, other institutions.
- Deposits from members and non- members.
- Subscription Fee
- Donation
- Borrowed fund
- Reserve and Other Funds
- Undistributed portion of profit.

**FUNCTIONS AND OPERATIONS OF THE KARASSERY****CO- OPERATIVE BANK**

There are some important functions and operations are there. Mainly it divided in to two types, namely, Source of fund and Utilization of fund. Those are given below,

**A) SOURCE OF FUND:** The most important functions of all co-operative banks are to accept funds from various sources and to utilize it for lending purposes. Share Capital, Deposits and Borrowings from other financial institutions constitute co-operative bank fund sources. The fund formed by inputs from these sources is used for lending to the members of the bank. One of the main characteristics of the co-operative bank with respect to commercial bank is that though accept from members and non members alike, members only are eligible for loans. The main source of fund of The Karassery Service Co-operative Bank is described below.

**1- SHARE CAPITAL:** Share capital is the capital collected from the members of the Bank. Shareholders are the real owners of the bank. Share capital can be classified into two categories as given below.

**a) Authorized Share Capital:** This is the registered capital under the Bye-Law of the Bank. There is a maximum limit to the amount that can be collected. Once the total Share capital collected reaches that limit, the authorized share capital has to be increased and this could be done only through amendment to the Bye- Laws which should get the approval of the Registrar of co-operative Societies of the State.

**2- DEPOSITS:** The bank accepts deposits from members and non-members alike. Apart from Share capital, deposits are main source of fund for the bank. The bank can accept deposits from anyone irrespective of whether the person is residing within the area of operation or not. Deposits are the chief contributors to the working capital of the bank. At present, the bank operates four kinds of deposits as explained below.

**a) Saving Bank Account:** Saving Bank accounts in encouraging the habit of saving among the members in particular and the customer in general. Anyone can open a saving bank account in the bank through a proper application for that effect. Saving bank account could be opened and operated individually or jointly.

**b) Current Account:** Current Account is almost the same as saving bank account. The main difference lies in the purpose of this account. This type of deposit is used by business firms for their day-to-day transactions. Besides, the bank does not offer any interest for this deposit.

**c) Fixed Deposits:** There is types of deposit is different from both the accounts mentioned above as suggested by the name. An amount is deposited for a fixed duration of time for a fixed rate of interest. The depositor cannot into that account or withdraw from that account before the date of maturity is reached. The minimum amount that can be deposited as fixed deposit is Rs. 100 and the minimum duration of period is fifteen days.

**d) Daily Deposits:** This is a peculiar kind of deposit aimed mainly at cannot come to the bank for their transaction.

**3- BORROWINGS FROM OTHER INSTITUTIONS**

Another source of fund for the bank is the borrowings from other institutions mainly the central co-operative bank of the state and central financial institutions such as NABARD. At present the bank has outstanding borrowings from the Kozhikode District Co-operative Bank and NABARD.

**a) District Co-operative Bank:** The District Co-operative Bank is the chief financier of the bank when it needs large amount of money for its lending purpose. The KDC bank has financed the bank in the form of non- agricultural loan, cash credit account and overdraft account. The bank borrows these loans on higher interest rates and uses this fund to lend among the members. The members would have to pay a little higher rate of interest than the district co-operative banks' rate.

**b) NABARD:** NABARD has financed the bank through the district Co-operative bank to facilitate disbursement of fund for agriculture purpose. This fund is utilized for lending to members at a lower interest rate. Besides, a subsidy of 5% on the principal amount also is offered.

**B) UTILIZATION OF FUND**

As started in the beginning, the function of any bank is to mobilize fund from various sources and to utilize for lending among the needy. In the earlier section, we have seen the different source of fund available for the karassery Service Co-operative bank. Now we can look in to the different kinds of loan the bank is disbursing among its members on fixed rate of interest. The lending rate is charged on the basis of cost of funds. The cost of funds and an extra small percentage added to it to meet the operational expense of the bank decides the rate of interest on loans disbursed. Any member can avail loans from the bank provided that the bank is convinced of his/her capability to repay the debt in his/her name. The bank asks for security for credits in the form of collateral security or surety by members or salary certificates issues to employees of Central or State or Semi Govt. institutions.

**1) AGRICULTURAL LOAN**

The main agricultural producers of the area are rubber, coconut, areca nut, banana, rice, pepper, turmeric and various kinds of vegetables. Agricultural loan disbursed from the bank at utilized in the cultivation of all these crops. Fund for these loans are mainly contributed by NABARD's finance through the District Co-operative Bank. Agricultural loans have the lowest rate of interest. There are two kinds of agricultural loans as explained below.

**a) Agriculture Short Term Loan:** These loans are disbursed for a period of eleven month. The rate of interest charged is 5.5% per annum. The member has to repay the full principal amount with interest before the date of maturity. He/she is eligible for a subsidy of 5% on the complete repayment of the loan.

**b) Kissan Credit Card:** This Credit facility offers the creditor the unique convenience of operating credit account the same way as a saving bank account. The rate of interest is the same as agricultural short term loan. The duration of this loan is three years. Once the loan is sanctioned with an upper credit limit the creditor can withdraw and deposit money as per his convenience. But he/she has to remit the interest in every six months. The interest is calculated for the credit balance in his account. The creditor is issued with passbook and a kisan credit card. This card shows the details of the loan.

**2) NON- AGRICULTURAL LOAN**

Any other credit facility offered to the member is categorized as non-agricultural loan. These loans vary in their duration and rate of interest. Regarding the security for credit, on the surety of members a maximum of Rs. 25000 only could be sanctioned. If one wants a larger amount as credit he would have to give the security of land or building. Different kinds of non-agricultural loans are explained below.

**a) NSTS (Non- agricultural Short term surety) Loan:** These are loans issued on the personal surety of members. The duration of these kinds of loan is 12 month. Two members who do not have any credit overdue against them can stand surety for NSTS Loan to another member. These loans are to be prepaid wholly or as installments before the due date are reached. The rate of interest is 14% per annum but in case of the loan crossing the maturity date an additional 3% on the remaining principal amount is charged as overdue interest.

**b) NSTM (Non- agriculture Short Term Mortgage) Loan:** These kinds of loans differ from NSTS Loan only in the form of security as indicators by the name. If a person needs more than Rs. 25000 as credit, he can ask for NSTM loan In this case the member has to mortgage his land as security. The amount of credit is decided on the basis of the estimated value of the mortgage. All other characteristics of this loan are the same as NSTS Loan.

**c) NAMT (Non-agricultural Medium Term) Loan:** As the name suggest, these are loans disbursed for medium periods of duration. The duration varies between 12 months to 60 months according to the creditor's convenience. There are NAMT loans of the durations 12, 24, 36, 48 and 60 months. The rate of interest is the same as the above mentioned loans. Normally these loans are sanctioned with a repayment scheme of equal installments.

**d) IRDP Loan:** The characteristics of these loans are the beneficiaries itself. Only people of backward class are eligible to avail this credit facility. This loan enjoys high priority from the Govt. side the creditor can claim 50% of subsidy on the principal amount. Normal duration of this loan is five years and the repayment scheme is in 60 equal installments. These loans have very low rate of interest.

**e) SE (self Employment) Loan:** As indicated by the name, these loans target unemployed women of the area seeking employment opportunities. The bank sanctions them sewing machines the price of which is accounted as the principal credit amount.

**f) Gold Pledged Loan:** This is very convenient credit facility for the members in which person pledged gold ornaments in the bank and avails corresponding amount of money to his credit. Normally 80% of the value of the ornaments pledged is sanctioned as credit. The duration of this loan is very short. The loan is considered overdue after six month.

**g) Gold Overdraft:** This credit facility combines the characteristics of Kissan Credit Card and Gold Pledged Loan. The creditor pledged gold ornaments for the amount of credit and the bank sanctioned a cash credit account with the permissible upper limit. After that he/she can operate this account as is done with a savings bank account

**h) Business overdraft:** It is a cash credit facility aimed at business persons. The duration of this credit scheme is three years and transactions could be done in the same way as other cash credit/overdraft schemes

**i) Fixed Deposit Loan:** This is a deposit loan given on the security of fixed deposit in the bank. The depositor can avail a maximum of 90% of the fixed deposit in his/her name. The rate of interest is 2% more than the rate given to him/her on the fixed deposit.

**j) Day Deposit Loan:** This credit facility is the same as fixed deposit loan except for the security which is daily deposit in this case. The maximum limit of the credit is 75% of the deposit amount and rate of interest is fixed at 14%.

**1. INVESTMENT IN OTHER BANKS:** The Bank tries to distribute the fund at its capacity among the members as loans the interest from which constitute the main income for the bank. Even after disbursement of loans to all eligible persons if there is excess fund available for utilization, the bank could use it for greater income in the form of investments in other banks. As per the Reserve Bank of India norms, only 72% of the total fund could be disbursed as credit and the rest should be invested in other financial institutions and / or Govt. securities. But Karassery Service Co-operative Bank finds it difficult to maintain this ratio most of the time. The reason behind this is the great demand for credit as well as non availability of own funds at times.

#### [A] PERFORMANCE HIGHLIGHTS

TABLE 1 (Rs. in lakhs)

| Parameters              | 2010-11 | 2011-12 | 2012-13  | 2013-14  | 2014-15  |
|-------------------------|---------|---------|----------|----------|----------|
| Share capital + reserve | 451.84  | 470.27  | 803.31   | 1161.11  | 1800.99  |
| Deposits                | 5869.96 | 8410.45 | 12905.29 | 16189.63 | 23456.20 |
| Borrowings              | 2928.03 | 2972.09 | 3352.78  | 6805.89  | 4002.75  |
| Loans & Advances        | 7244.39 | 9192.15 | 13094.40 | 19447.32 | 21340.50 |
| Investments             | 886.84  | 1591.22 | 2612.22  | 3257.22  | 4245.22  |
| Income                  | 898.61  | 1152.27 | 1629.11  | 2461.00  | 3271.66  |
| Expenses                | 717.31  | 970.68  | 1304.16  | 2023.20  | 3030.19  |
| Cash                    | 583.72  | 695.47  | 806.18   | 593.40   | 1282.08  |
| Net Profit              | 181.30  | 181.64  | 324.95   | 437.60   | 241.47   |

Source: Annual Report of K.S.C.B., Ltd, Mukkam.

From the beginning year of the study, the bank shows a beneficiary net profit balance to the bank and their share holders. The profit of the bank increased from Rs. 181.30 lakhs in 2010-11 to Rs. 241.47 lakhs in 2014-15. The bank can maintain an average amount of Rs. 273.39 lakhs net profit during the period of the study.

TABLE 2: DEPOSITS AND THEIR COMPONENTS (Rs. in lakhs)

| Parameters   | 2010-11       | 2011-12        | 2012-13        | 2013-14          | 2014-15         |
|--------------|---------------|----------------|----------------|------------------|-----------------|
| Fixed        | 3693.92       | 5495.63        | 8236.10        | 10525.96         | 17237.04        |
| Saving       | 1519.35       | 2084.03        | 3321.25        | 3422.23          | 4049.31         |
| Current      | 13.69         | 67.29          | 111.52         | 92.206           | 99.57           |
| Day          | 99.01         | 123.22         | 152.74         | 202.96           | 244.52          |
| Recurring    | 8.53          | 24.59          | 31.49          | 42.73            | 56.11           |
| <b>TOTAL</b> | <b>5334.5</b> | <b>7794.76</b> | <b>11853.1</b> | <b>14286.086</b> | <b>21686.55</b> |

Source: Annual Report of K.S.C.B., Ltd, Mukkam.

The cost of the deposit has increased throughout the period of study, because the costless deposits like saving bank account amounts has decreased and costly deposit like fixed deposit has increased. It reduces profit and creates more risk. Share of saving deposit has increased slightly throughout the year. This deposits whose share in total deposits was 28.28% in 2010-11 to 18.67 % in 2014-15. The share of fixed deposit in the total deposit was 69.24% in 2010-11 to 79.48% in 2014-15.

TABLE 3: ADVANCES AND THEIR COMPONENTS (Rs. in lakhs)

| Parameters   | 2010-11        | 2011-12        | 2012-13         | 2013-14          | 2014-15         |
|--------------|----------------|----------------|-----------------|------------------|-----------------|
| Gold loan    | 7514.62        | 2072.53        | 4747.58         | 7197.44          | 4648.29         |
| Agri- loan   | 957.28         | 1691.26        | 1521.01         | 2631.53          | 5673.92         |
| Other loan   | 1227.52        | 5428.35        | 6825.81         | 9618.35          | 16124.81        |
| <b>TOTAL</b> | <b>7244.39</b> | <b>9192.15</b> | <b>13094.40</b> | <b>194473.22</b> | <b>21340.50</b> |

Source: Annual Report of K.S.C.B., Ltd, Mukkam.

The advance and their components table of the bank have shown a huge in-creasing tendency than the deposit table. The Loans and advances of the bank increased from Rs. 7244.39 lakhs in 2010-11 to 21340.50 lakhs in 2014-15. It shows the gradual increases throughout the period under the study.

#### FINDINGS

- (1) The ratio of profit to total income decreased from 0.20 to 0.07 during the period of study. The average of the ratio is 0.15. The total income has increased but, they could not achieve the same rate of growth in profit making.
- (2) The ratio of profit to total deposits decreased from 0.03 to 0.01 during the period of study. Average of the ratio is 0.02. The lowest of the ratio figured is 0.01 in 2014-15. This average performance throughout the period of study shows that the management's less attention towards this aspects and the lack of proper interpretation of the data from time to time for managerial decision making.
- (3) The ratio of profit to spreads decreased from 0.67 in 2010-11 to 0.32 in 2014-15. The average of the ratio during this period is 0.58.
- (4) The ratio of return on asset decreased from 0.01 to 0.007 during the period of study. The value of assets of the bank had increased every year during the period of study. The averages of the ratio are 0.01.
- (5) The ratio of return on equity varies from 5.76 to 0.85 during the period of study. A well managed net worth is used by the bank with a well structured reserve and surplus support. It is more appreciable.
- (6) The ratio of Net profit to working capital decreased from 0.02 to 0.01 during the period of study. The average of the ratio is 0.01. This low ratio indicates the unhealthy operation of the bank.

- (7) Burden coverage ratio of the bank indicates the overall profitability of the bank. If the Ratio is more than one, it implies better profitability. Here the average of the ratio is 2.59. It shows the ability to recover its operating costs- burden fully.
- (8) The ratio of cash to deposits varies from 0.09 to 0.05 during the period of study. The average of the ratio is 0.06. This ratio reflects that the bank is maintaining a un-healthy liquidity position during this period.
- (9) The ratio of investment to deposits increased from 0.15 to 0.18 during the period of study. Considering the high demand for credit among the members, the bank normally opts for short term investments with the district co-operative bank. The average of the ratio is 0.18.
- (10) The ratio of spread to total asset showing the same ratio from 0.02 in 2009-10 to 0.02 in 2014-15 during the period of study. The average of the ratio is figured at 0.01.
- (11) The credit deposit ratio is the relationship of total advance and total deposits. It shows the actual capacity for lending loans as far as considering the deposits. The credit deposit ratio decreased from 1.23 to 0.90 during the period of study. This ratio is not fair. 1:1 is considered as healthy credit deposit policy. Here the average of the ratio is 1.09. The bank is having an average risk of 0.09 during the period of study, because of large lending's of the loan without consideration of capacity of deposits. This shows poor management ability in respect of collecting deposits for meeting the loan requirements.
- (12) The total advance increased from 7244.39 to 21340.50, the total deposit had increased from 5869.96 to 23456.20 and the total borrowings had increased from 2928.03 to 4002.75 during 2009-10 to 2014-15 (figures in lakhs)

## SUGGESTIONS

1. The bank should take remedial actions for increasing the spread. Because, this is the main source of the bank for making profitable result.
2. The bank should take measures for decreasing the ratio of total expenditure to total income. They must concentrate a strictly managed expenditure budget.
3. All the major profitability ratios show a decreasing tendency during the period of study. So the bank should take remedial actions for improving profit earning capacity of the bank by giving more attention to the total deposit, total income, spreads, total assets, equities and working capital. They want to strictly controlling and managing all these aspects for making increasing tendency of profitability of the bank.
4. The major solvency ratios shows a decreasing tendency. It indicates the ability of the business to honor long term obligations like interest and installment associated with long term debt is decreased. So the bank should try to improve long term financial strength. For this, the bank should increase the investments, spreads and deposits.
5. The share capital shows that the government contribution is very less. They should take remedial action for increasing government contribution in the share capital. They should collect more share capitals from the public. The share capital is the costless resources of the bank. So they should give more priority to share capital.
6. The higher percentage of gold loan creates a risky situation in the banking. This risky situation is not a healthy activity since any fall in the price of gold could affect the profitability of the bank. So the bank should create a riskless rate for gold loan.
7. Investment in other agencies is totally neglected. It indicates bank's poor liquidity. So they should increase the liquidity position of the bank through investment in other agencies and give minimum liquidity guaranty to the customers.
8. N.P.A. ratio of last year of the study is 4.05. In the previous year it was 3.82. It shows that N.P.A. is increased in the last year. It indicates the increasing tendency of over-due. It will affect the profitability of the bank. So the bank must take remedial actions for decreasing the ratio of N.P.A. and they want to manage collection agents more strictly.
9. The bank should reduce the borrowings and give more priority to increase the less cost Deposits. So some suggestions are given below for deposit mobilization.

Here, all the major suggestions are classified in to three parts. That is Policies, Customer services and the opportunity Hunt.

### I- POLICIES

- 1- Implementation of Currency Exchange service to the N.R.I. customers.
- 2- Provide Share Market investments services, Mutual fund investments services
- 3- Provide more shares to the public. It is a less cost resources.
- 4- Provide saving opportunities for students through schools as well the colleges and other institutions with zero balance A.T.M. card.
- 5- Create new innovative products with more added benefits or added values.
- 6- Provide life insurance plans with the help of any other life insurance companies.

### II- CUSTOMER SERVICES

- 1- Create tie-up with 'VISA', 'MASTER CARD' or any other for the more acceptance of bank's A.T.M.
- 2- Create 'CASHTREE' system in to the business. It works with linking more than banking networks within a circle for sharing their services to the customer and can they can increase number of A.T.M. counter points with the help of this sharing.
- 3- Implementation of IVRS (Integrate Voice Responding System) for better customer support.
- 4- Implementation of Short Code (like, 4545, 7887, 676776, etc.) service for better customer service. It can collect dates of who interested in the bank or banking. It create goodwill, because it is a first time implementation in the co-operative banking sector in Kerala, when after the implementation of short code in the K.S.C.B.
- 5- Implementation of A.T.M. counters or collection points in each reputed educational institutions.
- 6- Provide more satisfactory services to the N.R.I.s and give more consideration to them.
- 7- Implement the P.O.S (Point Of Sale) Machines in Shops, then customer can purchase items through swapping into this P.O.S. machines
- 8- The bank can give extra benefits to the deposits by the way of giving insurance benefits, any tax free benefits, etc.

### III- OPPORTUNITY HUNT

- 1- Make advertisements with a feeling of 'new generation bank'
- 2- Conduct market study for collecting deposits
- 3- Build an Energetic Marketing Wing for all banks external works to create branding and goodwill.
- 4- Conduct a detailed study about customer behavior, transactions, payment mode, and patterns.
- 5- Create a well structured marketing strategy from the detailed customer study.
- 6- Get membership from clearing house, Kozhikode branch.

## CONCLUSION

Various ratio analyzed in the study proves that in many aspects the functioning of the bank is satisfactory. But some cases they want to increase their performance. The performance highlights and growth rate of operational performance reveal that in many areas, the bank has to improve further and there is a scope for improvement through well deposit mobilization. The bank can achieve the number one co-operative bank in Kerala and they can perform compete with other commercial banks through the improvement of deposit mobilization, decreasing borrowings and well management and control of NPA.

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## WEBSITE

5. [www.karasserybank.com](http://www.karasserybank.com)

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